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CONFIDENTIAL FILING

Prime Ministers meetings with
Lord Weinstock

PRIME MINISTER

FEBRUARY 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2.2.83							
16.11.84							
12.6.87							
PREM 19/24/14							

COPIED TO : PRIME MINISTER:
Meetings with Lord Selt, May 80

~~CDP~~



Reynolds
✓

10 DOWNING STREET

~~Tessa / Andy~~

C.F.

Cd. you please

BE find a time
for Lord Winstock + CDP
Thurs 18th 1800

with other weeks;

out a time for
Thurs 25th 1730

Lord Jeff in the
slightly longer term

CDP.

PRIME MINISTER

LORD WEINSTOCK

Arnold Weinstock telephoned at some length this afternoon to send you his congratulations. He is very keen to come and see you soon to give you his ideas about the Government's future direction. The outcome of the Election had been a tremendous victory but it had not eliminated the Labour Party. Indeed, this now seemed unlikely to happen. And worse, the non-Tories might actually get together. The Government had to start to think now about the situation which would confront it in 4 or 5 years' time. The issues which had been to the fore in this Election would no longer be as relevant in 1992. This applied particularly to Defence, but also to a number of others. The Government needed to steal the Opposition's clothes, for instance, by concentrating in particular on problems such as the Inner Cities. He would like an opportunity to elaborate on these thoughts.

I said that you were extremely busy over the next few days, even for a good friend like him, I would pass on his views, and I was sure you would try to find time to see him when possible.

Would you like to see Lord Weinstock, say towards the end of next week?

COP

Yes not

C D POWELL
12 June 1987

COVERING COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

16 November 1984

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear David,

PRIME MINISTER'S LUNCH WITH LORD WEINSTOCK, 17 NOVEMBER 1984

... As requested, I now enclose some short briefs covering subjects within this Department in which GEC have an interest. The subjects are as follows:

Annex A: British Aerospace

Annex B: DTI support for research and development

Annex C: Guangdong

Annex D: Mobile radio services in bands I and III

I hope that this is helpful.

Yours etc,
Andrew Lansley

ANDREW LANSLEY
Private Secretary

JH1BLY

COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

BRITISH AEROSPACE

Line to Take

It would be helpful to know what GEC's intentions towards BAe are. The Government's present policy remains to dispose of its shareholding in BAe at an appropriate time. [NB the Government's plans for disposal of its shareholding in BAe should not be disclosed other than in these general terms.] Acquisition of any significant shareholding in BAe by GEC would fall to be considered for referral to the Monopolies and Mergers Commission.

Background

In May 1984 Thorn EMI, and GEC shortly after, approached BAe about the possibility of a merger. In July 1984 BAe announced that they were breaking off discussions. Thorn EMI later announced the withdrawal of their interest, but GEC have not done so. The Government's stated position is that, provided certain conditions were satisfied, the Government would not use its shareholding to frustrate agreement reached with a majority of the remaining shareholders. This may lead to the complete disposal of the Government's shareholding. Lord Weinstock may express annoyance at this apparent change in Government policy since 1983, when, he claims, he was given to understand by Ministers that the Government's shareholding in BAe was not for sale direct to GEC. The merger proposals, however, presented the Government with a new situation. Ministers decided that a position of neutrality must be adopted. A sale to GEC of the Government's shares would pre-empt the views of other shareholders.



COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

[CONFIDENTIAL AND MARKET SENSITIVE: NOT FOR DISCLOSURE:
Treasury and DTI Ministers have had discussions about a
further disposal of all or part of the BAe shareholding
possibly in 1984/5, or in 1985/6. Ministers have not taken
a final view, but it is likely that they would again not wish
to sell all or part of the Government's shareholding in BAe
direct to GEC.]



REVIEW OF DTI SUPPORT FOR RESEARCH AND DEVELOPMENT

BACKGROUND NOTE

On 12 November Mr Pattie announced that the Department was reviewing its support for research and development and that pending its completion in five months no new applications for certain categories of assistance would be accepted.

The Department's allocation to support industrial research and development has increased from £60 million in 1979/80 to £236 million in 1984/85. The allocation for 1985/86 is £250 million. The expenditure is largely demand-led and funds for the rest of this financial year and 1985/86 are now largely committed. The moratorium does not apply to all categories of support under the Department's Support for Innovation programme: in particular, applications for collaborative applied research projects can still be considered.

GEC is a major recipient of DTI assistance for research and development.

LINE TO TAKE

The moratorium is a result of the heavy take-up of the assistance the Department has been offering. Clearly the Government has been successful in creating the conditions that encourage enterprise and R&D. Clearly the Department has been successful in its aim of promoting innovation.

In view of the virtual commitment of the Department's allocations for this year and next, and in view of industry's growing profitability which increases firms' ability to undertake R&D, it is appropriate for the Department to take stock.

RTP DIVISION

14 November 1984

2 copies.

Press Notice

Department of Trade and Industry

1 Victoria Street, SW1H 0ET Press Office: 01-215 5904
Out of hours: 01-215 7877

Ref: 638

12 November 1984

REVIEW OF SUPPORT FOR INDUSTRIAL RESEARCH AND DEVELOPMENT

Mr Geoffrey Pattie MP, Minister of State for Industry and Information Technology today announced that he is carrying out a review of the Department's support for industrial research and development. The Department will not accept new applications under the Support for Innovation programme for support for certain categories of projects pending completion of the review in about five months.

Mr Pattie, in answer to a Parliamentary Question said:

"The Government places considerable emphasis on the need to encourage industrial research and development and has taken practical steps to support it. The number of research and development projects approved for assistance under the Science and Technology Act increased from 356 in 1979/80 to 1612 in 1983/84. The funds allocated for general industrial research and development support grew from £60 million to £200 million over the same period.

"Our measures have had a significant and widespread impact. Industry now better appreciates the importance of research and development for its future viability. This, together with the improvement over the last three years in profitability and liquidity in industry and commerce, has resulted in increased demand for Government support for research and development. In consequence the 1985/86 allocation for innovation grants is now virtually committed.

MORE/....

"In view of this I have decided to review the balance of the Department's support for industrial research and development. Whilst this is being undertaken and with immediate effect no further applications will be accepted for:

- research and development projects from individual firms on standard Support for Innovation terms
- development and investment projects under the microelectronics industry support scheme and the fibre-optics and opto-electronics scheme and
- application, development and installation projects for flexible manufacturing systems and robots.

Formal applications that have already been received by the Department will be processed within the limited funds still available.

The review will be completed within five months. I will announce the conclusions at that time. This will also be the occasion for introducing the new arrangements for regrouping all the Department's assistance schemes announced by my Rt. Hon, Friend on 27 July."

Collaborative or club projects for applied or seedcorn research (including applications from Research Associations or under the Alvey Programme or the Joint Opto-electronics Research Scheme) can still be accepted.

Non-SFI support for civil aviation, aeroengine and space technology projects is also not affected by these changes.

Other elements of the Department's range of measures to support innovation, research and development and technology transfer, such as the Teaching Company Scheme and arrangements to help firms obtain expert consultancy and advice, are not affected.

MORE/....

NOTES TO EDITORS

1 The programme of Support for Innovation was launched in May 1982 to bring together assistance formerly available separately through the Research Requirements Boards or under the old Product and Process Development Scheme and some other measures. Within SFI, arrangements have been targetted to highlight support for new technologies and key enabling technologies: these include microelectronics, biotechnology, fibre-optics and advanced manufacturing technology.

2 The restrictions on acceptance apply to:

- R&D projects from single firms on standard SFI terms including projects under such arrangements as those for biotechnology, microelectronics applications and software products
- development and investment projects under the Microelectronics Industry Support Programme (MISP)
- development and investment projects under the Fibre-optics and Opto-electronics Scheme (FOS)
- application, development and installation projects for Flexible Manufacturing Systems (FMS) and Robots.

For these categories of assistance, only those cases for which a formal application was received by the time of the announcement will be accepted for further processing.

3 Mr Tebbit's July announcement was that the Department was arranging to bring together all the Department's schemes of assistance under just four headings: a business and technical advisory service; support for innovation; support for national and regional investment; and BOTB support for exports.

4 Anyone contemplating applying to the Department for project support should seek guidance on their case from the appropriate sponsor Division or Regional Office of DTI.



GUANGDONG NUCLEAR PROJECT - *All this material can be drawn upon.*

The Prime Minister is aware of the details of the Guangdong project. There have been some important recent developments.

The arrangements for the joint venture between the Guangdong Nuclear Investment Company and the Hong Kong Nuclear Investment Company are now close to agreement. China Light and Power have decided to overrule the objections of Exxon (their partner in the Castle Peak projects) to the Guangdong project. Following signature, the joint venture agreement will be put to EXCO in Hong Kong for approval, and will also form part of a much wider appraisal of the project by the Bank of China as borrowers. The latter will take some months, and it is unlikely the Chinese will be in a position to complete negotiations on the financial package much before Easter.

As part of a wider review of their premium system, the French have changed their grading of China, to put it in the lowest risk category. This opens up a big gap in premium between the UK and French tenders. This is known to the Chinese, and the UK premium is already under pressure. The Export Credit Advisory Council recommended the revision of China to the lowest risk category on 14 November and this will be considered by the Minister for Trade early next week on his return from the Middle East. This revision would narrow but not close the gap.

Mr Channon will be circulating a paper to colleagues next week explaining the significance of these developments.



MOBILE RADIO SERVICES IN BANDS I AND III

Line to take

The release of large blocks of radio spectrum from black and white TV broadcasting at the start of next year is a big opportunity for mobile radio services. GEC and Air Call have each submitted proposals for a major network comparable to the cellular radiophone networks in size. The DTI is considering the competition and industrial implications.

Background

Lord Orr-Ewing has been active on Air Call's behalf. Until very recently GEC and Air Call appeared to be associated in this proposal but now seen to have fallen out.

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File

PRIME MINISTER

15 November 1984

LORD WEINSTOCK

GEC, English Electric (EE) and AEI had all been successful companies run by strong thrusting individuals, but which, by the start of the 1960s, had fallen into almost terminal decline. With GEC and EE, but less so with AEI, the root cause was a failure of management succession. Arnold Weinstock running GEC, with the subsequent take-overs of AEI and EE, rejuvenated the companies and managed the change that was necessary. Sadly, it appears that having produced one of the more successful companies of the 1970s, Weinstock ^(aged 60) has run out of steam and is now repeating those same follies of management succession. Other than Kenneth Bond, who has been Weinstock's right-hand man since 1956, there appears to be no-one within the company who could take over.

The GEC bid for British Aerospace seems to have fallen into abeyance. Weinstock may say that he has been provided with insufficient information; but British Aerospace published a full prospectus on its flotation in 1981, and has remained in the public eye ever since. He must not be allowed to keep the BAe shares frozen any longer (which could well have been his intention all along). You could suggest that if he cannot make up his mind before Christmas, we may sell our stake elsewhere.

The IT revolution is an area where GEC should make a major contribution to national wealth. In fact, GEC has recently dismantled its information systems group, and its robotics also seem to have come to nothing. You could ask Lord Weinstock what went wrong.

We are concerned that GEC may be concentrating too little on the R&D necessary to secure the success of the company in the next millenium. You may wish to enquire what projects

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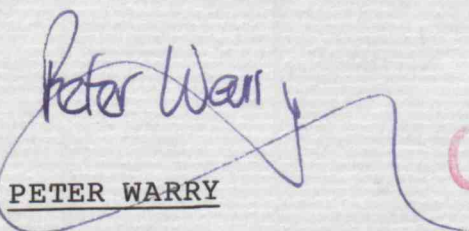
E.R.
CONFIDENTIAL

they have on their books that are only likely to come to fruition by the year 2000, or whether they are following British bankers and looking solely to the short term. Indeed, you could ask what he intends to do with his idle cash mountain.

Lord Weinstock will probably mention the Guandong development. The French are improving their credit terms. EX considers how we respond next week, so there is little you can say on this at present. He may grumble that our insistence on profit-sharing on this project represents "Government interference in GEC's legitimate business". This response, made to DTI earlier this year, takes one's breath away. The credit subsidies already exceed £100 million. You could respond by asking what further sacrifices he expects from the taxpayer on the altar of keeping GEC's margins intact.

He may also raise Private Mobile Radio (PMR) where GEC wants to take one-third of the available radio spectrum to provide a national PMR service - possibly interconnected with the telephone system. Aircall want to do likewise. There is some merit in the proposal although we doubt that he needs even half the 300 channels he is demanding. However, we have recently granted licences to BT and Securicor to produce a superior national cellular radio system interconnecting with the telephone network. This involves each of them in substantial capital expenditure and it would be bad faith to undermine them. DTI are thinking on the problem.

Finally, you may want to ask Lord Weinstock's view on the purchasing initiative and prospective candidates to head up the Central Purchasing Unit.


PETER WARRY

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10 DOWNING STREET

From the Principal Private Secretary

2 February 1983

Dear Jonathan,

Lord Weinstock

I was very grateful to you and John Rhodes for providing at short notice briefing for the Prime Minister on points which Lord Weinstock might raise at his meeting with her yesterday evening.

In the event, the conversation was a general one and none of the specific points mentioned in your and John Rhodes' letters came up. One of Lord Weinstock's themes was the lack of priority which the nationalised industries already gave to promoting British manufacture and the danger that privatisation would reduce this priority further. He was particularly worried about this in the case of British Telecommunications, and pointed out that it was still not clear what precise guidelines would be given to British Telecoms on this matter. Another theme was that the prospects for cable television had been exaggerated and that the prevention of carriers other than British Telecom from transmitting voice messages would damage the economics of cable systems further. Lord Weinstock also referred to the dangers of subsidising inward investment, when the effect of this was simply to produce new jobs in one area at considerable expense to the taxpayer and at the cost of losing them in another part of the United Kingdom: in this connection, he made a reference to Fugitec, but only a passing one. There was no reference to aid and trade provision.

I am copying this letter to John Rhodes (Department of Trade).

Yours sincerely,

Robin Butler

Jonathan Spencer Esq
Department of Industry

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Subject

NOTE FOR THE RECORD

Prime Minister's Meeting with Lord Weinstock
on Tuesday 1 February

During a conversation of over an hour with the Prime Minister, Lord Weinstock made the following points:-

Privatisation

Lord Weinstock was concerned that the nationalised industries, which already did not give sufficient support to British manufacturers, would give even less following privatisation. He mentioned telecommunications in particular. So far guidelines had not been introduced, and he was worried in particular that Sir George Jefferson would cause British Telecommunications to start their own manufacturing capacity. As regards Mercury he regarded Eric Sharp as first class, but believed that he would regard his obligation to his shareholders as preventing him from giving priority to British manufacturers.

Lord Weinstock also said that the licence given to RACAL for cellular radio would effectively exclude other manufacturers from this sort of equipment, and assurances given to him to the contrary by Mr. Kenneth Baker would not be effective in practice.

Cable

Lord Weinstock said that some of the forecasts about the development of cable television were much too optimistic. Most companies in the United States were already losing money on cable television. It was absurd to prevent carriers other than British Telecom from carrying speech: with a digital system, this could not be checked, and the exclusion of speech would make systems uneconomic.

/Torpedoes

Torpedoes

Lord Weinstock said that the United States programme on the Mark 48 was in trouble and running behind time. The recent movement in the exchange rate had effectively added £100m. to the cost of the United States' option and had removed the arguments on grounds of cost which the Treasury had deployed for choosing the American torpedo instead of its British competitor. Lord Weinstock regarded this as a lesson against putting too much weight on transitory factors in making such decisions. The programme for development and production of Stingray, originally budgeted at £440m. in 1978 was now expected to come out at £400m., with each unit costing £155,000 instead of the estimate of £168,000 estimated four years ago. The programme was temporarily held up because a delay at the Government end in providing testing facilities; and Lord Weinstock also said that the restrictions imposed by the Ministry of Defence on information to potential purchasers was inhibiting exports.

Inward Investment

Lord Weinstock said that he continued to have reservations about Government assistance to inward investment, particularly when this did not introduced new technology and endangered the position of existing British projects. An example was television assembly, where the establishment of Japanese factories could well have the effect of creating new jobs at one place, simply at the cost of destroying them elsewhere. He referred particularly to the negotiations with Fugitec to set up a plant in Britain to produce lift equipment.

Optical Fibre

Lord Weinstock said that the GEC programme on the development of optical fibre was going very well and they were now within reach of producing the best optical fibre in the world.

International Financial Framework

Lord Weinstock said that he continued to be worried about the international financial system, and thought that there was a danger of major international collapse followed by recession. This might be triggered off by the collapse of AEG in March, if they could not establish by that date that they could cover 35 per cent of their debts. Lord Weinstock thought that some imaginative international initiative was needed, similar to the Marshall plan after the last war. But he did not think that President Reagan or anyone else in the US Administration (with the possible exception of Mr. Shultz) was capable of doing it or that there was anyone in Europe, except the Prime Minister, who currently had the stature to take such an initiative. He commended to the Prime Minister an article which Dr Henry Kissinger had recently written on this subject, a copy of which he handed to her.

R.R.B.

2 February 1983

PRIME MINISTER

Lord Weinstock may raise the following:-

1. Guang Dong
2. Public purchasing policy
3. Japanese inward investment, particularly by Fujitec
4. Cable Television
5. Aid and credit budget (ATB)
6. Saudi Arabia National Guard: Satellite communications

NB: Sizewell contract for turbine generators are to be announced after the CEGB's Board meeting tomorrow.

FERB

1 February, 1983.



From the Secretary of State

CONFIDENTIAL

Robin Butler Esq
Principal Private Secretary
10 Downing Street
London
SW1

1 February 1983

Dear Robin

You informed me that the Prime Minister had agreed to meet Lord Weinstock at 7.00 this evening. We understand that most of the issues on Lord Weinstock's "shopping list" fall to the Department of Industry, and that Jonathan Spencer will be in touch with you separately about them.

What follows covers our subject (ATP) and one from the Ministry of Defence (Saudi Satellite).

AID AND CREDIT (ATP)

Lord Weinstock can be expected to express concern about the future availability of ATP, and may also refer to recent Press reports suggesting that the use of ATP might be tightened in future. A full note on the ATP budget is at Annex A, and the extent to which GEC has benefited at Annex B.

If pressed on ATP, the Prime Minister might take the following line:-

ATP Budget is not ungenerous: £55 million allocated this year (1982/83) and £66 million next. It is true that there are some problems in scheduling these funds. Despite budgetary gearing, money can be tied up through outstanding offers which may not ultimately be taken up. These problems, which leave other worthwhile and qualifying projects unsupported, are not easily avoided given the uncertainties inherent in such international business. Lord Weinstock might be expected to recognise the point: GEC currently has an outstanding offer for System X in India for £47.7 million over the next four years. The ATP machine requires industry co-operation, and it is particularly important that the Government should be told once it is clear that funds are either not needed or can be re-scheduled.



From the Secretary of State

CONFIDENTIAL

[Our ATP lags behind others] There is a general need for restraint in public spending, and the current provision is not ungenerous. We are anxious not to fuel an international credit race, but do keep competitors' practices under review. HMG is working to strengthen international agreements that will constrain the use of mixed credit. Industry's hard evidence of competitors' activities is important.

[Press reports of examination of ATP and Project support rules]. Important that HMG reviews its support for overseas projects, especially given the increased United Kingdom resources being deployed. Officials have recently undertaken a review, but this has yet to be considered by Ministers. Ministers will need to consider the demands for export project support against competing demands, and general public spending restraint. Ministers will also have in mind the need to simplify and speed up the procedures for the consideration of ATP cases.

[GEC ATP Assistance: Annex B]. GEC's project business, reflected in their ATP record. £60 million + aid input offered to date in projects which are either under way (£10 million) or at bid stage (£50 million). In addition, £42 million + offers made in respect of unsuccessful business.

SAUDI ARABIA NATIONAL GUARD (SANG): SATELLITE COMMUNICATIONS

The SANG currently enjoy a limited satellite facility, making use of the United Kingdom's Skynet 2 satellite and equipment supplied by Marconi Space and Defence Systems (MSDS) - (part of GEC/Marconi) - and Racal. This has been provided as part of the SANG communications project, managed by the MOD Procurement Executive on behalf of the SANG.

SANG have shown increasing interest in expanding their satellite communication facilities. MSDS and British Aerospace has been following these developments and are current preparing a proposal based on Skynet 4 technology. GEC are likely to seek support in this venture. This could include a request to assist in bridging the gap between the demise of Skynet 2 (early 1984) and the provision of a SANG-funded space programme ("segment"), post 1985-86, by providing access to a NATO satellite under United Kingdom control.



From the Secretary of State

CONFIDENTIAL

If the matter is raised by Lord Weinstock, it is advised that no commitment should be made on the bridging question. There are operational and USA/NATO implications to be sorted out. [MOD are in contact with the company: the potential value of the business to the United Kingdom could be as high as £100million if a complete Skynet 4 satellite system were purchased.]

I hope that this is helpful. A copy goes to Jonathan Spencer (Industry).

Yours sincerely

John Rhodes

for John Rhodes
Private Secretary



PRIME MINISTER'S MEETING WITH LORD WEINSTOCK 1 FEBRUARY 1983

AID AND CREDIT

ATP funds:

The ATP allocation for 1982/83 is £55 m. Earlier this financial year that sum was fully committed and it would have been impossible to consider further cases; although no business was turned away, this undoubtedly influenced cases where there may have been flexibility in the phasing of payments. Now as a result of slippages, about £9 m is available within this year's budget; but given the late stage at which the money emerged, it may well be difficult to commit it before 5 April.

For 1983/4, the ATP allocation is £66 m. Firm commitments for next year already total £37 m. A system of gearing is applied to set a limit within which offers may be made; but after having applied that gearing and having taken account of outstanding offers there is currently only £1 m available for further offers. Some offers may well fall through, but there is now a serious risk that early in 1983/4, a situation may be reached where no new offers can be made for that financial year.

This situation would have serious implications for industry, particularly at a time when foreign competition is making increasing use of mixed credits. Officials are examining how there might be greater flexibility and efficiency in the use of ATP funds; but any improvements will be at the most marginal. A real easing of the situation would only occur if further funds could be committed next year to the ATP.

Review of Criteria for Support for Overseas Projects

Officials recently completed a report on the Criteria for Support for Overseas Projects; this was in response to a task set by E Committee and the Secretary of State for Trade will shortly be circulating their paper to colleagues on E Committee.



There has also been a report of economists under Mr Byatt, the Chief Economist at the Treasury. This examined the economic implications of support for exports of capital goods; this was submitted by the Chancellor to the Prime Minister under cover of his minute of 13 December. The Prime Minister will have noted from the subsequent correspondence, and in particular from the letters of the Secretary of State for Trade and of the Secretary of State for Industry, that the economists' analysis is not totally accepted. Lord Cockfield argued strongly that while the UK had to support multi-lateral action to reduce and, if possible, eliminate, the wide spread use of export subsidies, it made no sense for the UK to act unilaterally. A period of high unemployment and uncertain prospects for the recovery of world trade was no time to withdraw the support we give to our capital goods exporters. This report is likely to be discussed when E Committee takes the Criteria report.

Both these reports were referred to in recent articles in the Observer, FT, and Guardian.



ATP: GEC PROJECTS

<u>Country</u>	<u>Project</u>	<u>UK Export Value</u>	<u>Aid input</u>
1 <u>Projects Completed</u>			
Bangladesh	Combined Cycle Plant	17.297	4.680
2 <u>Projects Underway</u>			
Egypt	Switchgear	7.500	2.000
Zimbabwe	Railway Electrification	27.465	8.239
3 <u>Offers accepted in principle</u>			
Malaysia	Viewdata	2.365	0.851
4 <u>Offers outstanding</u>			
India	System X	185.000	47.730
Malaysia	Paka Power Station	7.797	2.958
5 <u>Projects formerly proposed to SCAT but still under consideration</u>			
Burma	Diesel Marine Engines	11.470	2.926
Zimbabwe	Railway electrification stage 2	105.000	31.700
6 <u>New Projects recently proposed to Dept. of Trade</u>			
Columbia	Medelin mass transit system	100.000	
Indonesia	TC for PLN Java-Bali Interconnection	2.000	
Malaysia	Penang Traffic study	5.000	
Malaysia	Locomotive re-engining	15.000	
Sri Lanka	Coalfired Power Station	80.000	
Sri Lanka	Colombo Airport Package	18.500	
Zimbabwe	Extension to Kanba South HEP Station	65.000	



7 Offers not taken up by recipient Governments

Botswana	Railway locomotives	10.000	3.100
Costa Rica	Railway project	12.000	2.230
Ecuador	Switchgear & transmission equipment	14.200	7.000
Honduras	El Cajon HEP project	12.000	3.000
Indonesia	Diesel generator sets	26.500	5.400
Malawi	Microwave System	1.100	0.375
Malaysia	Switchgear	4.400	4.400
Malaysia	Batang AL	2,531	0.823
Malaysia	Port Klang Power Station	3.889	1.508
Mexico	Railway electrification	73.000	8.000
Zimbabwe	Railway electrification	30.834	6.625

£42.5m

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JH 724



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

(February 1983

Robin Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Robin,

PRIME MINISTER'S MEETING WITH LORD WEINSTOCK

We spoke earlier about this meeting. I attach a copy of my Secretary of State's letter of 28 January to Lord Weinstock, which covers some of the issues which I understand may be in Lord Weinstock's mind this evening; I am not sure that the Prime Minister needs to read the letter in its entirety, but I think she should know that it exists. I also enclose a copy of a record of the Secretary of State's meeting with Fujitec in Osaka - GEC are the manufacturers of Express Lifts in this country, and GEC have already let us know of their opposition to any investment by Fujitec here.

2 I will be in touch later this afternoon with some more specific points for this meeting.

*Yours sincerely,
Jonathan Spencer*

J P SPENCER
Private Secretary

ENCs



Duty Clerk
Pl. put in the
back-up folder.

10 DOWNING STREET

From the Private Secretary

Certainly.

FB/3

28.1.

Mr. Butler

Would you mind
meeting Lord Weinstock
in the central lobby at
1855 on Tuesday?

E.J.

28/1

PERSONAL - AND CONFIDENTIAL



JF2475

Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

28 January 1983

The Lord Weinstock
Managing Director
General Electric Company Limited
Stanhope Gate
LONDON
W1

Copies to:

Mr Manzie
Mr Gill
Mr Croft
Mr Wright
Mr Bell
Mr Havelock (with papers)
Mrs Bell
Mr Spencer

Dear Arnold,

Having just returned from a visit to the Far East, taking in Hong Kong, Peking and Japan, I thought it might be helpful to you to let you have my immediate impressions.

Hong Kong

Lawrence Kadoorie had invited me to spend a couple of hours at Castle Peak, and I may say I was most impressed. Although the plant was temporarily shut down at the time, (the first such shutdown since last September!) it was obvious to me that CLP will, by the time it is finished, have a very fine facility indeed. It was particularly gratifying to hear extremely high praise of GEC's generator sets and also to see the very long list of British firms who were involved in the construction of Castle Peak A. Construction of Castle Peak B is now rising above ground and activity is intense.

Guangdong

I was able to discuss this project both with Lawrence Kadoorie and with the Governor of Hong Kong and his colleagues. Lawrence of course remains as keen as ever for the project to go ahead though he was at pains to point out to me how difficult it would be for CLP to provide any larger share of the equity than had currently been proposed so far.

Discussions with the Governor were a little more difficult. Recent provocative statements from Chinese officials about the UK-Peking discussions on the future of Hong Kong are in their view putting them under pressure. In these circumstances, I was warned that the Hong Kong Government would be slow to make what might appear to be concessions to the Chinese over Guangdong. I find this attitude a little puzzling because the downside

/consequences ...



PERSONAL - AND CONFIDENTIAL

consequences of what would be represented as the Hong Kong Government turning down a major collaborative project with China could be serious. It is clear that there is work to do if the Hong Kong Government is to play the constructive role at the discussions in Hong Kong in March that will be necessary if we are to reach agreement with the Chinese.

Guangdong - Discussions in Peking

I had a long and useful discussion with Vice Minister Li Peng who had all his top brass present. We went over all the ground in an atmosphere that was both cordial and frank. It was clear to me that following the decision of the Chinese Government on December 25 to go ahead with the project in principle work was proceeding at an accelerated pace. A high level nuclear engineer Mr Peng-Shilu has been appointed an additional Vice Minister and he is to be located in the Province of Guang Dong. The Chinese remain very obscure on the subject of the bank guarantee, where they continue to talk about "guaranteeing the equity". Minister Li Peng and I agreed that these were complicated financial matters and best discussed by financial experts which would include officials of the Bank of China. The Chinese are also concerned that GEC has not as yet built any high speed 900 megawatts sets but I was able once again to remind them of the fact that you were one of the worlds biggest suppliers of turbine generators and were fully competent to supply the equipment needed.

It is obvious that the next series of talks in Hong Kong and Peking which the Chinese are planning for the second half of March will be very critical. I gained the impression that they would aim to take the major decisions on financing and on suppliers fairly soon thereafter.

Japan

My main purpose was to hold discussions with Japanese Ministers (including the new MITI Minister (Mr Yamanaka) and business leaders focussing on the problem of the substantial and growing trade imbalance in manufactures between Japan and the UK. I found a much more receptive attitude to my arguments than I had experienced before, not least among Japanese business leaders. We have managed to attract a few more small investment projects (notably in VTR's and VTR Tapes); Honda announced a proposal to carry out a feasibility study into the manufacture of motor bicycles in the UK; but Nissan are not yet ready to reach a decision on their project to make cars here - which would of course be very much larger than the totality of all Japanese investment in Britain that has so far taken place or is planned.



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My discussions were held in the wake of an important announcement by Prime Minister Nakasone who, before going off to Washington, had called on Japanese public authorities and private concerns to treat the trade friction as a serious issue and do more to help solve the problem. Despite this, I was not able to make much progress on defence sales or on BAe 146 where the financial difficulties of the main internal airline TDA were stressed to me again and again.

While welcoming Prime Minister Nakasone's policy statement, I stressed at all my meetings that it will be positive results that count.

One of the purposes of my visit was to form a clearer view on the problems which British firms have in getting established in the Japanese market. I discussed this with a number of British businessmen including representatives of ICI, Unilever, Beechams and Shell. I spoke to the British Chamber of Commerce in Tokyo and listened to the views of a number of firms round the table. The point was made to me again and again that it requires great efforts to sell into the Japanese market because of the difficulty of coming to grips with the very different methods and attitudes of Japanese buyers. I was assured that the prejudice against imported goods has declined rapidly and that if competitive goods are made available and are marketed in ways to appeal to Japanese buyers, very good business can be done. So far as Japanese consumers are concerned, a visit to a major Department store convinced me that for high quality goods that are designed for the market, there is a growing snob value in the imported product.

Among the capital goods which I was promoting were products in the environmental engineering field, in off-shore oil engineering, in laboratory and testing equipment and in equipment for medical diagnosis. In the last named group, I had in mind among other things your company's interests in NMR scanners.

Purely by chance I met Professor Worthington of Nottingham University who happened to be in Japan lecturing on NMR scanners. I had met him previously in the UK and of course knew of his involvement with GEC and Picker. He expressed some concern that there did not seem to be in Japan the kind of commercial back-up for the companies' selling effort which enable them to follow up his lectures with a proper commercial sales effort. Naturally, the Japanese were anxious to secure access to the technology so that they could engage in manufacture themselves. But this does seem to me to be a substantial opportunity for British firms to cash in on an advance in medical diagnostics which I know to be a good deal more important than the CAT scanners.

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The UK Embassy were quite unaware of Professor Worthington's lecture tour, and in discussion with the Ambassador, Sir Hugh Cortazzi, it emerged that while Picker is represented in Japan GEC does not actually have an office in Tokyo. Sir Hugh Cortazzi told me that he has on occasion suggested that the time is ripe for GEC to establish an office in Japan; and this recent NMR episode does suggest to me that there could be advantage in your doing this.

I am sure you have considered this many times and the last thing I would want to do is to try to over-ride your own commercial judgement. Nevertheless I report the facts as they appeared to me and all I would say is that I think that the Ambassador has a point. He told me that he would be proposing to mention the matter to Peter Carrington and John Lippitt when they visit Japan in a few weeks.

In conclusion I remain optimistic about Guangdong but it is clear that a good deal of hard and careful preparation will need to go into the March meetings in Hong Kong and Peking. Gordon Manzie stands ready to help in any way he can. He himself has obviously established the most cordial relationships with the Chinese but we are obviously going to have to handle the Hong Kong authorities with some care. Gordon will I know be debriefing John Lippitt and Bob Davidson on the various discussions he has had with the Chinese, the Hong Kong Government and CCP.

Your ever
Patel



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